

March 25, 2009

The Honorable Michael E Frysel
Chairman, National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

The Honorable Rodney E Hood
Vice Chairman, National Credit Union Administration

The Honorable Gigi Hyland
Board Member, National Credit Union Administration

RE: Comments on Advance Notice of Proposed Rulemaking for Part 704

Dear Chairman Frysel, Vice Chairman Hood, and Board Member Hyland:

Kansas Teachers Community Credit Union (KTCCU) would like to comment on NCUA's Advanced Notice of Proposed Rulemaking (ANPR) regarding the role of the Corporate Credit Union Network and its structure.

KTCCU is a \$52 million, low income designated, state chartered credit union located in Pittsburg, Kansas. We serve approximately 15,000 members who predominately live and work in southeast Kansas. As of 12-31-2008, KTCCU had a return on assets of 1.30%; a net worth of 12.85%, and our loan to share ratio was 77%.

We believe that corporate credit unions provide essential services to credit unions. This is especially true for small to mid-size credit unions, which describes the majority of Kansas credit unions. Kansas Corporate Credit Union (KCCU) offers affordable products and services that allow KTCCU to compete with much larger local financial institutions. We consider KCCU as one of our credit union's strategic business partners.

KTCCU uses KCCU for many services such as: settlement services (checks, ACH, member deposits, credit union checks, etc); wires (both domestic and international); security safekeeping; investments (corporate, bank CDs and marketable securities); liquidity (line of credit for overnight and term borrowings); and a valuable source of industry information and news.

KCCU is not a network, but in fact is an individual, democratically controlled financial institution. KCCU has their own vision, strategic business plan and investment philosophy. KCCU makes every effort to respond to the needs of Kansas credit unions. These needs would likely go unnoticed if there was no KCCU. To provide similar KCCU services would likely require substantial resources of our credit union, or force Kansas credit unions to capitalize a CUSO to provide those services.

Comments on ANPR Questions

Payment Systems

We believe separating payment systems services would increase the cost associated with providing the services, resulting in higher user fees, and it would create inefficiencies. In Kansas, there is already a separation of some payment services as the item processing, branch capture and some ACH processing is done by the Association's Service Corporation, while all of the settlement activity is handled by KCCU.

Liquidity and Liquidity Management

KTCCU believes providing liquidity to credit unions and managing credit union liquidity to fund daily settlement activity and earn a higher return; should be a core service of KCCU and the corporate system. Many Kansas credit unions do not qualify for membership in the Federal Home Loan Bank and attempts to get a line of credit with other financial institutions have resulted in higher fees; higher rates if the line is accessed; and excessive collateralization requirements. In today's environment, it would be almost impossible to open new lines of credit and fees most likely would be higher.

Fields of Membership

Over the last several years in Kansas, we have fought legislatively with our banking competitors over field of membership restrictions. We believe strongly that national fields of membership are important in allowing credit unions decide who we want to do business with. Each corporate can make their own business decision as to whether they want to actively pursue all credit unions or serve restricted areas based upon their own individual business plan. National fields of membership did not create this issue alone and would not have prevented the problems that required NCUA to take the action they did.

Structure: Two-tiered System

We believe that the two-tier structure should be retained and believe it creates efficiencies.

Corporate Capital

The corporate capital structure should be risk based, in line with other regulators which should become somewhat of self-regulatory tool. At-risk capital investments by credit unions in corporate should count as capital that can be used by the corporate.

Permissible Investments

We believe corporate powers should be greater than that of credit unions, otherwise corporate ability to add value to member credit unions declines. However, proper infrastructure must be in place to support the amount of investment risk each corporate chooses to take based upon their investment philosophy and risk tolerance. Those corporate that choose to take more risk should be subject to additional regulatory supervision and additional capital requirements in order to support the risk taken.

Corporate Governance

Corporate board structure should not change. A board of directors, democratically elected by the membership, is consistent with the cooperative charter. We are against an outside director category as we believe that board members who are also CEOs of member credit unions is part of what has made KCCU successful. Review KCCU's last examination report, you will see that KCCU a model corporate credit union. The system does work and should not be changed.

What do I need from my corporate in the future?

As a critical strategic business partner, we need our corporate to provide current services, as well as being a catalyst for the development of future services that my credit union may need. KCCU has been around for a long time, relationships and trust have been built and developed over that time and that is not easily replaced. Our biggest concern is that our corporate and the capital it has built over the years will be consolidated and we do not want to see that happen. There is no evidence, in the form of better rates or lower fees, that economies of scale benefiting credit unions has been achieved through past corporate consolidations. We do not want to be reliant on our banking counterparts for services that we currently receive from our corporate.

Sincerely,
Mark Kolarik
President
Kansas Teachers Community Credit Union